



Proposed Regulation Agency Background Document

Agency name	Charitable Gaming Board
Virginia Administrative Code (VAC) citation	11 VAC 15-22
Regulation title	Charitable Gaming Rules & Regulations
Action title	Implementing the requirements of Chapter 264 (2007 Acts of Assembly) which added " <i>electronic games of chance systems for charitable gaming in the Commonwealth</i> ".
Date this document prepared	August 10, 2009

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Orders 36 (2006) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

Brief summary

In a short paragraph, please summarize all substantive provisions of new regulations or changes to existing regulations that are being proposed in this regulatory action.

Substantive changes being proposed in this regulatory action include: adding new definitions to clarify what a payment ticket and player terminal are and amending other definitions to include information on electronic games of chance systems, instant bingo, pull-tab and seal card dispensing devices; clarifying the prohibitions of individuals under the age of 18; clarifying who shall have access to the stacker of a player terminal; and providing information on expiration dates.

Acronyms and Definitions

Please define all acronyms used in the Agency Background Document. Also, please define any technical terms that are used in the document that are not also defined in the "Definition" section of the regulations.

None

Legal basis

Please identify the state and/or federal legal authority to promulgate this proposed regulation, including (1) the most relevant law and/or regulation, including Code of Virginia citation and General Assembly chapter number(s), if applicable, and (2) promulgating entity, i.e., the agency, board or person. Describe the legal authority and the extent to which the authority is mandatory or discretionary.

The basis for this regulation is found in §§ 18.2-340.16 and 18.2-340.34 of the Code of Virginia. This action is a direct result of Chapter 264 (HB 1998) of the 2007 Acts of Assembly that requires changes to the agency's gaming regulations. This regulatory action was approved by the Charitable Gaming Board June 30, 2009.

Purpose

Please explain the need for the new or amended regulation by (1) detailing the specific reasons why this regulatory action is essential to protect the health, safety, or welfare of citizens, and (2) discussing the goals of the proposal, the environmental benefits, and the problems the proposal is intended to solve.

Passage of HB 1998 (Chapter 264 of the 2007 Acts of Assembly) added language to §§18.2-340.16 and 18.2-340.34 requiring the addition of electronic games of chance systems for charitable gaming in the Commonwealth. The Department's rules and regulations must be amended to incorporate the implementation of the "electronic games of chance systems".

Substance

Please briefly identify and explain new substantive provisions (for new regulations), substantive changes to existing sections or both where appropriate. (More detail about all provisions or changes is requested in the "Detail of changes" section.)

11VAC15-22-10 Definitions.

11VAC15-22-40 Conduct of bingo, instant bingo, pull-tabs, seal cards, and raffles.

11VAC15-22-50 Rules of play

11VAC15-22-120 Reporting violations

These sections had enhancements to reflect the implementation of "electronic games of chance system for charitable gaming in the Commonwealth"

Issues

Please identify the issues associated with the proposed regulatory action, including:

- 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions;*
- 2) the primary advantages and disadvantages to the agency or the Commonwealth; and*
- 3) other pertinent matters of interest to the regulated community, government officials, and the public.*

If the regulatory action poses no disadvantages to the public or the Commonwealth, please so indicate.

Existing rules and regulations are not reflective of these systems and no other alternatives were considered. It is anticipated that the proposed regulatory action will pose no disadvantages to the public or the Commonwealth.

Requirements more restrictive than federal

Please identify and describe any requirement of the proposal, which are more restrictive than applicable federal requirements. Include a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements or no requirements that exceed applicable federal requirements, include a statement to that effect.

There are no applicable federal requirements governing electronic pull-tab games of chance systems.

Localities particularly affected

Please identify any locality particularly affected by the proposed regulation. Locality particularly affected means any locality which bears any identified disproportionate material impact which would not be experienced by other localities.

Charitable Gaming rules & regulations are state-wide and therefore will not directly affect any particular locality.

Public participation

Please include a statement that in addition to any other comments on the proposal, the agency is seeking comments on the costs and benefits of the proposal and the impacts of the regulated community.

In addition to any other comments, the board is seeking comments on the costs and benefits of the proposal and the potential impacts of this regulatory proposal. Also, the board is seeking information on impacts on small businesses as defined in § 2.2-4007.1 of the Code of Virginia. Information may include 1) projected reporting, recordkeeping and other administrative costs, 2) probable effect of the regulation on affected small businesses, and 3) description of less intrusive or costly alternative methods of achieving the purpose of the regulation.

Anyone wishing to submit written comments may do so via the Regulatory Townhall website, www.townhall.virginia.gov, or by contacting Betty Bowman, 101 N. 14th Street, Richmond, Virginia 23219, fax: (804) 225-2598, phone: (804) 786-1079, email: Betty.Bowman@DCG.Virginia.gov. Written comments must include the name and address of the commenter. In order to be considered comments must be received by the last date of the public comment period.

Economic impact

Please identify the anticipated economic impact of the proposed new regulations or amendments to the existing regulation. When describing a particular economic impact, please specify which new requirement or change in requirement creates the anticipated economic impact.

<p>Projected cost to the state to implement and enforce the proposed regulation, including (a) fund source, and (b) a delineation of one-time versus on-going expenditures.</p>	<p>a) All General Fund Expenditures b) Expenditures: One-time: 1. Printing - \$3,000 On-going: 1. Increase in staffing needs: Salary & fringe benefit costs for 1 additional License Tech, 1 Auditor and 1 Inspector; all due to potential increase in charitable gaming applications (suppliers & organizations), which impacts audits and inspections to be completed. \$134,500 2. Information Technology needs: Cost to be determined. Project proposal was submitted to VITA/NG on June 16, 2009. Upon their approval an RFP will have to be issued for a monitoring/financial database system. This cost is not determinable at this time.</p>
<p>Projected cost of the <i>new regulations or changes to existing regulations</i> on localities.</p>	<p>N/A</p>
<p>Description of the individuals, businesses or other entities likely to be affected by the <i>new regulations or changes to existing regulations</i>.</p>	<p>Charitable Gaming Organizations – 570 Suppliers/Manufacturers – 50</p>
<p>Agency’s best estimate of the number of such entities that will be affected. Please include an estimate of the number of small businesses affected. Small business means a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.</p>	<p>Suppliers/Manufacturers - 50</p>
<p>All projected costs of the <i>new regulations or changes to existing regulations</i> for affected individuals, businesses, or other entities. Please be specific and do include all costs. Be sure to include the projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses. Specify any costs related to the development of real estate for commercial or residential</p>	<p>Total Known Cost: \$137,500</p>

purposes that are a consequence of the proposed regulatory changes or new regulations.	
Beneficial impact the regulation is designed to produce.	It is designed to enhance funds for charities.

Alternatives

Please describe any viable alternatives to the proposal considered and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the action. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in §2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulation.

Changes are due to the passage of HB 1998 by the 2007 General Assembly requiring these changes and therefore no alternatives exist.

Regulatory flexibility analysis

Please describe the agency’s analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) the establishment of less stringent compliance or reporting requirements; 2) the establishment of less stringent schedules or deadlines for compliance or reporting requirements; 3) the consolidation or simplification of compliance or reporting requirements; 4) the establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the proposed regulation.

There is no regulatory flexibility in implementing the legislative changes according to passage of HB 1998 HB 1998 by the 2007 General Assembly.

Public comment

Please summarize all comments received during public comment period following the publication of the NOIRA, and provide the agency response.

Commenter	Comment	Agency response
Scott Henneman, Vice President & General Manager Oasis Gaming Division of International	Recommends Department require each manufacturer provide and operate, at their own expense, a system to manage and report on operations of the manufacturer’s terminals. Reasons for this concept:	Department has concerns with this concept; how could the manufacturer objectively manage their own terminals in charitable organizations – where is the oversight for ensuring the charitable rules & regulations are being adhered to. The Department’s concern for the long-term integrity of Charitable Gaming in the

Gamco, Inc.	eliminate start-up cost for the State, save time for implementing electronic pull-tab program; require product changes & extensive testing, potential to give one manufacturer competitive advantage over others, established standardized reporting.	Commonwealth is the major factor along with cost and required testing. Some cost and required testing have to be a part of implementing this system. The Commonwealth's procurement system, for initiating a bid, will certainly allow for fair and impartial process for selecting any vendor.
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Family impact

Please assess the impact of the proposed regulatory action on the institution of the family and family stability including to what extent the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one's spouse, and one's children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.

It is anticipated that the proposed regulatory action will have no adverse impact on the institution of the family and family stability.

Detail of changes

Please detail all changes that are being proposed and the consequences of the proposed changes. If the proposed regulation is a new chapter, describe the intent of the language and the expected impact if implemented in each section. Please detail the difference between the requirements of the new provisions and the current practice or if applicable, the requirements of other existing regulations in place.

If the proposed regulation is intended to replace an emergency regulation, please list separately (1) all provisions of the new regulation or changes to existing regulations between the pre-emergency regulation and the proposed regulation, and (2) only changes made since the publication of the emergency regulation.

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change, rationale, and consequences
11VAC15-22-10	N/A	Currently there are no definitions for terms <i>“cash, payment ticket, player terminal, and United States</i> . Changes and additions were made to	Adds the definition of <u>“cash”</u> to clarify the type of currency allowed; <u>payment ticket</u> describes what this means and when it is to be issued; <u>player terminal</u> defines what the device contains, who uses it, the basics of how the player

		<p>the following definitions as a result of the legislation's addition - "<i>electronic games of chance systems for charitable gaming in the Commonwealth</i>".</p> <p><i>Flare, Interested persons, Manufacture, Owner, Progressive seal card, Serial Number.</i></p>	<p>uses it, where is it connected and <u>United States</u> is clearly defined. <u>Flare</u> definition has clarification regarding its logo and types of versions; <u>Interested persons</u> has addition of the types of equipment they would be involved; <u>Manufacturer</u> is amended to add "<i>electronic games of chance systems</i>" equipment; <u>Owner</u> has "<i>manufacturer</i>" included in its definition; <u>Progressive seal card</u> is amended provide clarity to the type of version and <u>Serial Number</u> is amended to include "<i>terminal</i>" and "<i>electronic games of chance</i>"</p>
11VAC15-22-40	N/A	<p>Currently there is no language for conducting "<i>electronic games of chance systems</i> :electronic pull-tabs, seal cards</p>	<p>This provides guidance and direction regarding who (age limit) is authorized to play and participate in the management and operation of these types of charitable games.</p>
11VAC15-20-50	N/A	<p>Currently there are no "Rules of Play" established for "<i>electronic games of chance systems</i>".</p>	<p>Direction and clarity is provided for the timeline for claiming the winnings from such games.</p>
11VAC15-22-120	N/A	<p>Outlines reporting violations for conducting charitable gaming.</p>	<p>Clarification is made to reporting violations of charitable gaming and inserted "<i>this chapter</i>".</p>